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SENSITIVE  
SIPDIS

FOR OES/EGC B DEROSA-JOYNT AND E. FENDLEY.

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TAGS: [EFIN](#) [ENRG](#) [SENV](#) [IT](#)

SUBJECT: ITALY: GREEN "INVESTMENTS" IN STIMULUS PACKAGE

REF: A. SECSTATE 26022

[1](#)B. 08 ROME 1489

[1](#)1. (U) The Italian government, in the context of its modest economic stimulus effort (ref B), has implemented a number of measures, some of which could be seen as environmentally friendly, and others not. The government has not explicitly sought to tackle environmental challenges as part of its efforts to deal with the immediate and serious economic problems facing Italian families and businesses. The Italian Chair at a recent preparatory meeting for the G8 Environmental Ministerial expressed Environment Ministries, frustration at not always getting the response they would like from finance ministries and the private sector to their calls for a move toward low-carbon technology. End Summary.

[1](#)2. (U) Following is post reply to ref A, Department's request for information on green "investments" in Italy's economic stimulus package.

[1](#)3. (U) Per ref B, the Italian government announced in late 2008 a number of modest stimulus and relief measures to deal with the deteriorating economic situation. Its principal aim was, and remains, bolstering confidence in the Italian financial system, reinvigorating the flow of credit to Italian families and businesses, and providing income relief to the poorest Italians. In a subsequent iteration of this relief package, the government in January 2009 implemented tax and other incentives to stimulate the purchase of automobiles and some durable household appliances. In March, the government announced additional modest sector-specific relief measures, this time for the construction industry.

[1](#)4. (U) The government has not explicitly touted its economic relief package as an environmental measure, but has tied some of its relief provisions to environmental goals. The automobile purchase incentives, for example, are more generous the "greener" the new car purchased, and the

"browner" the cars consumers trade in. The central government has also made money available for local governments that upgrade public transport vehicles and systems to greener ones. Tax breaks for purchasers of household appliances are primarily intended to assist the troubled industrial sector's sales, but they require that the new appliances be highly-rated (A ) for energy efficiency in order to qualify. Similarly, some tax breaks and regulatory breaks apply only if environmentally friendly features (solar panels, more efficient heating and windows) are used on new structures. Recently-approved research and development incentives include energy efficiency projects totaling 500 million euros (half from the government and half from the private sector).

15. (U) On the other hand, one way the government sought to lighten families' expenses over the recent holiday period was to postpone scheduled toll-road increases. This, theoretically, mitigates disincentives for automobile use.

16. (SBU) During the March 9 G8 Environment Ministerial preparatory meeting, the Chair of the climate sessions, Environment Ministry Director General Corrado Clini, noted that despite Environment Ministers, calls for moving to low-carbon technology such as hybrid cars, "Euros and dollars are now going to support existing car models," because of the need to deal with the immediate impact of the financial crisis. This was an example, he said, of how calls from environmental authorities don't always get the hoped-for response from finance ministries and the private

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sector. Many delegations supported turning the Ministerial discussion toward the economic crisis/climate change intersection. Such a discussion would address the challenges the economic crisis presents for reaching a climate agreement in 2009, the inclusion in stimulus packages of green financing, and the potential economic impact associated with a move to low-carbon technology.

17. (SBU) Comment: With the Italian government already laboring under a debt burden exceeding 107 percent of yearly GDP, it is unable to move much more aggressively on fiscal stimulus. By including green elements in the modest stimulus implemented to date, the government might blunt international criticism of its lagging stance on climate change issues. However, grumbling in the opposition and among the public that the current government is not doing enough on the economy will add to a tendency to see "green" as an unhelpful diversion from economic priorities ) curbing economic contraction and maintaining employment. Moreover, Italy's recent track record in converting public-sponsored technological research into commercially viable products and services is not very encouraging.

DIBBLE